

CENTERPOINT ENERGY INC  
Form DEF 14A  
April 28, 2005  
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## SCHEDULE 14A INFORMATION

### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**CENTERPOINT ENERGY, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(2) Aggregate number of securities to which transaction applies:

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(4) Date Filed:



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**CenterPoint Energy, Inc.**

**Notice of Annual Meeting of Shareholders**

**to be held on June 2, 2005**

**and Proxy Statement**

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**Notice of Annual Meeting of Shareholders**

Dear Shareholder:

You are cordially invited to attend the CenterPoint Energy, Inc. 2005 annual meeting of shareholders. The meeting will be held in the **auditorium at 1111 Louisiana, Houston, Texas**, at 9:00 a.m. Central Time on Thursday, June 2, 2005. At the meeting, shareholders will be asked to:

elect four Class III Directors for three-year terms and one Class II Director for a two-year term;

ratify the appointment of Deloitte & Touche LLP as independent auditors for CenterPoint Energy, Inc. for 2005;

consider one shareholder proposal, if presented to the meeting; and

conduct other business if properly raised.

Shareholders of record at the close of business on April 4, 2005 are entitled to vote. Each share entitles the holder to one vote. You may vote either by attending the meeting or by proxy. For specific voting information, please see **Voting Information** on page 1. **Even if you plan to attend the meeting, please sign, date and return the enclosed proxy card or submit your proxy using the Internet or telephone procedures described on the proxy card.**

Sincerely,

Scott E. Rozzell

Executive Vice President,

General Counsel and

Corporate Secretary

Dated and first mailed

to shareholders

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on April 28, 2005

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**CENTERPOINT ENERGY, INC.**

**1111 Louisiana**

**Houston, Texas 77002**

**(713) 207-1111**

*For deliveries by U.S. Postal Service:*

**P.O. Box 4567**

**Houston, Texas 77210-4567**

**PROXY STATEMENT**

**Voting Information**

Who may vote. Shareholders recorded in our stock register on April 4, 2005 may vote at the meeting. As of that date, there were 309,004,007 shares of our common stock outstanding. Each share of common stock has one vote.

Voting by proxy or in person. Your vote is important. You may vote in person at the meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You may always change your vote at the meeting if you are a holder of record or have a proxy from the record holder. Giving us your proxy means that you authorize us to vote your shares at the meeting in the manner you indicated on your proxy. You may also provide your proxy using the Internet or telephone procedures described on the proxy. You may vote for all, some, or none of our director candidates. You may also vote for or against the other proposals or abstain from voting.

If you give us your proxy but do not specify how to vote, we will vote your shares in favor of the director candidates, in favor of the ratification of independent auditors and against the shareholder proposal, if presented. If any other matters properly come before the annual meeting, we will vote the shares in accordance with our best judgment and discretion, unless you withhold authority to do so in the proxy.

Your proxy may be revoked before it is voted by submitting a new proxy with a later date, by voting in person at the meeting, or by giving written notice to Mr. Scott E. Rozzell, Corporate Secretary, at CenterPoint Energy's address shown above.

If you plan to attend the meeting and your shares are held by banks, brokers or investment plans (in street name), you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from your broker or bank are examples of proof of ownership.

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Quorum needed. In order to carry on the business of the meeting, we must have a quorum. This means at least a majority of the outstanding shares of common stock eligible to vote must be represented at the meeting, either by proxy or in person. Shares of common stock owned by CenterPoint Energy are not voted and do not count for this purpose.

Votes needed. The director candidates in Classes II and III receiving the most votes will be elected to fill the open seats in the respective classes on the Board. Ratification of the appointment of independent auditors requires the favorable vote of a majority of the shares of common stock voted for or against the matter. Approval of any shareholder proposal presented at the meeting requires the favorable vote of a majority of the shares of common stock represented at the meeting. Abstentions and broker non-votes count for quorum purposes. For voting purposes, however, abstentions and broker non-votes do not affect whether the appointment of independent auditors is ratified. Abstentions and broker non-votes have the same effect as a vote against any shareholder proposal submitted. Broker non-votes occur when a broker returns a proxy but does not have authority to vote on a particular proposal.

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**Information About Directors**

CenterPoint Energy's Board of Directors is divided into three classes having staggered terms of three years each. The term of office of the directors in Class III expires at this year's meeting. The terms of office of the Class I and Class II directors will expire in 2006 and 2007, respectively. At each annual meeting of shareholders, directors are elected to succeed the class of directors whose term has expired.

Effective at the annual meeting, the size of the Board will be increased from eight to eleven, with two additional seats allocated to Class III and one additional seat allocated to Class II. The Board's nominees for Class III are O. Holcombe Crosswell, Janiece M. Longoria, Thomas F. Madison and Peter S. Wareing, and the Board's nominee for Class II is Donald R. Campbell. Messrs. Crosswell and Madison are current directors of CenterPoint Energy. If any nominee becomes unavailable for election, the Board of Directors can name a substitute nominee and proxies will be voted for such substitute nominee pursuant to discretionary authority, unless withheld.

Unless otherwise indicated or the context otherwise requires, when we refer to periods prior to September 1, 2002, CenterPoint Energy should be understood to mean or include the public companies that were its predecessors.

Information about each of the nominees and the continuing directors is set forth below.

**Nominees for Class III Directors Term Expiring 2008**

**O. Holcombe Crosswell**, age 64, has been a director since 1997 and was a director of NorAm Energy Corp. and the predecessor of a division of that company from 1986 until we acquired that company in 1997. Mr. Crosswell is President of Griggs Corporation, a real estate and investment company in Houston, Texas.

**Janiece M. Longoria**, age 52, has not previously served as a director of CenterPoint Energy. Ms. Longoria is a partner in the law firm of Ogden, Gibson, White, Broocks & Longoria, L.L.P. in Houston, Texas and has a concentration of experience in commercial and securities-related litigation and regulatory matters. She has served as a commissioner of the Port of Houston Authority since 2002 and previously served as the treasurer and a director of the Houston Convention Center Hotel Corporation from 1999 to 2004.

**Thomas F. Madison**, age 69, has been a director since 2003. He has served as President and Chief Executive Officer of MLM Partners, a small business consulting and investments company in Minneapolis, since 1993. He previously served as President of US West Communications-Markets until December 1992. He later served as Vice Chairman of Minnesota Mutual Life Insurance Company until September 1994, Chairman of Communication Holdings, Inc. until March 1999, and as an advisory director of CenterPoint Energy Minnegasco, a gas distribution unit of CenterPoint Energy. He is currently a director of Valmont Industries, Inc., Banner Health System, Delaware Group of Funds, Digital River, Inc., and Rimage Corporation.

**Peter S. Wareing**, age 53, has not previously served as a director of CenterPoint Energy. A native Houstonian, Mr. Wareing is a co-founder and partner of the private equity firm Wareing, Athon & Company and is involved in a variety of businesses. He is the Chairman of the Board of

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Gulf Coast Pre-Stress, Ltd. in Pass Christian, Mississippi and Chairman of the Board of Union Ice Company, Ltd., in Los Angeles, California. He is also the Vice Chairman of the Board of Nordic Cold Storage, LLC, in Atlanta, Georgia as well as an officer and director of several other privately owned family entities. He also currently serves on the Houston Region Advisory Board of JPMorgan Chase Bank and is a trustee of Texas Children's Hospital in Houston.

### Nominee for Class II Director Term Expiring 2007

**Donald R. Campbell**, age 64, has not previously served as a director of CenterPoint Energy. Mr. Campbell is primarily engaged in managing his personal investments in Houston, Texas. Prior to his retirement in

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September 2000, he was the Chief Financial Officer of Sanders Morris Harris Group, Inc., a NASDAQ-listed regional investment banking firm. He served on the board of directors of Sanders Morris Harris until May 2004. He previously served as Vice Chairman of the board of directors and Chief Financial Officer of Pinnacle Global Group. Mr. Campbell also previously served as a director of Texas Genco Holdings, Inc. and as the chairman of its audit committee, from March 2003 until December 2004.

### Continuing Class I Directors Term Expiring 2006

**Derrill Cody**, age 66, has been a director since 2003. Mr. Cody is presently of counsel to the law firm of McKinney & Stringer, P.C. in Oklahoma City, Oklahoma. Mr. Cody previously served as Executive Vice President of Texas Eastern Corporation and as Chief Executive Officer of Texas Eastern Gas Pipeline Company from 1987 to 1990.

**David M. McClanahan**, age 55, has served as a director and as President and Chief Executive Officer of CenterPoint Energy since September 2002. He served as Vice Chairman of our predecessor company from October 2000 to September 2002 and as President and Chief Operating Officer of its Delivery Group from 1999 to September 2002. Previously, he served as President and Chief Operating Officer of our predecessor company's HL&P division from 1997 to 1999. He has served in various executive officer capacities with us since 1986. He currently serves on the boards of the Edison Electric Institute and the American Gas Association.

**Robert T. O'Connell**, age 66, has been a director since June 2004. Mr. O'Connell is a business consultant focusing on financial, strategic and business development matters. Residing in Boston, Massachusetts, he has been a board member of Commonwealth Corporation and a member of the Boston Finance Commission, two Massachusetts public service entities, since 2003. From 1997 to 2003, he served as a director of RWD Technologies, Inc. and as its Senior Vice President of Strategic Business Planning from August 1997 to July 2000 and its Chief Financial Officer and Senior Vice President of Strategic Business Planning from August 2000 to June 2001. Mr. O'Connell served as Senior Vice President and Chief Staff Officer of EMC Corporation from 1995 to 1997. Between 1965 and 1994, Mr. O'Connell held several positions in General Motors Corporation, including Chief Financial Officer of General Motors Corporation from 1988 to 1992 and Chairman of General Motors Acceptance Corporation from 1992 to 1994.

### Continuing Class II Directors Term Expiring 2007

**Milton Carroll**, age 54, has been a director since 1992 and Chairman since September 2002. Mr. Carroll is Chairman of Instrument Products, Inc., an oil-tool manufacturing company in Houston, Texas. He also serves as Chairman of Healthcare Service Corporation and a director of EGL, Inc.

**John T. Cater**, age 69, has been a director since 1983. Mr. Cater is primarily engaged in managing his personal investments in Houston, Texas. Prior to his retirement in 2000, he was Chairman of Compass Bank-Houston. He previously served as President of Compass Bank-Houston, as Chairman and Chief Executive Officer of River Oaks Trust Company, and as President, Chief Operating Officer and a director of MCorp, a Texas bank holding company.

**Michael E. Shannon**, age 68, has been a director since 2003. He has been President of MESHannon & Associates, Inc., a private firm specializing in corporate financial advisory services and investments, since 2000. He served as Chairman of the Board and Chief Financial and Administrative Officer of Ecolab, Inc. (a specialty chemical company) from 1996 until his retirement in January 2000. Prior to that, he held

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senior management positions with Ecolab, Inc., Republic Steel and Gulf Oil Corp. Mr. Shannon is a director of Apogee Enterprises, Inc., The Clorox Company, and NACCO Industries, Inc.

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### **Board Organization and Committees; Other Governance Provisions**

The Board of Directors oversees the management of the business and affairs of CenterPoint Energy. The Board appoints committees to help carry out its duties. Last year, the Board met 17 times and the committees met a total of 25 times. Each director attended more than 75% of the meetings of the Board of Directors and the committees on which he served. As of the date of this proxy statement, CenterPoint Energy had the following committees:

The **Audit Committee** has five non-employee director members: Mr. Shannon (Chairman), Mr. Cody, Mr. Crosswell, Mr. Madison and Mr. O'Connell. The Board of Directors has determined that the members of the Audit Committee are independent within the meaning of the listing standards of the New York Stock Exchange for audit committee membership. In addition, the Board of Directors has determined that Mr. Shannon is an audit committee financial expert within the meaning of the regulations of the Securities and Exchange Commission. The Board of Directors has also determined that Mr. Madison's simultaneous service on more than three public company audit committees does not impair his ability to serve effectively on our Audit Committee.

The primary responsibilities of the Audit Committee are to assist the Board of Directors in fulfilling its oversight responsibility for the integrity of the Company's financial statements, the qualifications, independence and performance of the Company's independent auditors, the performance of the Company's internal audit function, compliance with legal and regulatory requirements and the Company's systems of disclosure controls and internal controls. The Audit Committee has sole responsibility to appoint and, where appropriate, replace the Company's independent auditors and to approve all audit engagement fees and terms. The Audit Committee's report begins on page 26. During 2004, the Audit Committee held ten meetings.

The **Finance Committee** has four non-employee director members: Mr. Crosswell (Chairman), Mr. Cater, Mr. O'Connell and Mr. Shannon. This committee reviews CenterPoint Energy's financial policies and strategies, including capital structure, and approves specific debt and equity offerings within limits set by the Board. The Finance Committee met six times in 2004.

The **Compensation Committee** has four non-employee director members: Mr. Cater (Chairman), Mr. Carroll, Mr. Cody and Mr. Madison. This committee oversees compensation for CenterPoint Energy's senior officers, including salary and short term and long-term incentive awards. The committee also administers incentive compensation plans and reviews some human resources programs. The Compensation Committee's report on executive compensation begins on page 19. The Compensation Committee met six times in 2004. The Board of Directors has determined that the members of the Compensation Committee meet the applicable requirements for independence under the listing standards of the New York Stock Exchange discussed below under **Director Independence**.

The **Governance Committee** has three non-employee director members: Mr. Carroll (Chairman), Mr. Cater and Mr. Cody. The primary responsibilities of the Governance Committee include: identifying, evaluating and recommending, for the approval of the entire Board of Directors, potential nominees for election to the Board of Directors; recommending membership on standing committees of the Board; overseeing annual evaluations of the Board and management; and establishing, periodically reviewing and recommending to the Board any changes to the Company's Corporate Governance Guidelines. During 2004, the Governance Committee held three meetings. The Board of Directors has determined that the members of the Governance Committee meet the applicable requirements for independence under the listing standards of the New York Stock Exchange discussed below under **Director Independence**.

**Director Independence.** The Board of Directors has determined that Messrs. Carroll, Cater, Cody, Crosswell, Madison, O'Connell and Shannon are independent within the meaning of the listing standards for general independence of the New York Stock Exchange. It is

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anticipated that the Board will also be able to determine that Ms. Longoria and Messrs. Campbell and Wareing are independent within the meaning of these standards upon their election. Under the listing standards, a majority of our directors are required to be independent and the Audit Committee, the Compensation Committee and the Governance Committee are each required to be composed solely of directors who are independent. The standards for audit committee membership

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include additional requirements under rules of the Securities and Exchange Commission. The listing standards relating to general independence consist of both a requirement for a board determination that the director has no material relationship with the listed company and a listing of several specific relationships that preclude independence. To assist it in making determinations of independence, the Board has adopted categorical standards as permitted under the listing standards. Although the Board considers all relevant facts and circumstances in assessing whether a director is independent, relationships falling within the categorical standards are not required to be disclosed or separately discussed in the proxy statement in connection with the Board's independence determinations. A relationship falls within the categorical standards adopted by the Board if it:

is a type of relationship addressed in

the rules of the Securities and Exchange Commission requiring proxy statement disclosure of relationships and transactions, or

the provisions of the New York Stock Exchange Listed Company Manual listing relationships that preclude a determination of independence,

but under those rules neither requires disclosure nor precludes a determination of independence, or

consists of charitable contributions by the Company to an organization where a director is an executive officer and does not exceed the greater of \$1 million or 2% of the organization's gross revenue in any of the last three years.

In connection with its determination as to the independence of Mr. Carroll, the Board has considered his prior services rendered to a former affiliate of the Company as a consultant, which ceased in May 2002, and has also considered that Mr. Carroll receives additional compensation for services as a director on account of his serving as non-executive Chairman of the Board, which position involves a substantial commitment of time over and above regular service as a Board member and member of committees of the Board, and has concluded that those circumstances and relationships do not adversely affect Mr. Carroll's ability and willingness to act in the best interests of the Company and its shareholders or otherwise compromise his independence. Other relationships of the directors determined to be independent were considered to fall within the categorical standards adopted by the Board.

**Director Nomination Process.** In assessing the qualifications of candidates the Board may nominate for director, the Governance Committee considers, in addition to qualifications set forth in the Company's bylaws, each potential nominee's personal and professional integrity, experience, reputation, skills, ability and willingness to devote the time and effort necessary to be an effective board member, and commitment to act in the best interests of the Company and its shareholders. The Governance Committee also considers requirements under the listing standards of the New York Stock Exchange for a majority of independent directors, as well as qualifications applicable to membership on Board committees under the listing standards and various regulations. In addition, the Committee takes into account the need for a range among the directors of business experience, diversity, professional skills, geographic background and other qualities the Board considers important in light of the Company's business plan. The Governance Committee makes recommendations to the Board, which in turn makes the nominations for consideration by the shareholders.

Ms. Longoria's and Mr. Campbell's nominations were recommended by an independent director and the Chief Executive Officer, and Mr. Wareing's nomination was recommended by an independent director. Ms. Longoria and Mr. Wareing were among several candidates presented to the Governance Committee by a search firm the Governance Committee had engaged to assist in identifying director candidates. The members of the Governance Committee interviewed Ms. Longoria and Messrs. Campbell and Wareing, evaluated their respective backgrounds and qualifications and unanimously recommended to the Board that they be nominated for election at the annual meeting.

Suggestions for potential nominees for director can come to the Governance Committee from a number of sources, including incumbent directors, officers, executive search firms and others. If an executive search firm is

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engaged for this purpose, the Governance Committee has sole authority with respect to the engagement. The Governance Committee will consider director candidates recommended by shareholders. The extent to which the Governance Committee dedicates time and resources to the consideration and evaluation of any potential nominee brought to its attention depends on the information available to the Committee about the qualifications and suitability of the individual, viewed in light of the needs of the Board, and is at the Committee's discretion. The Governance Committee evaluates the desirability for incumbent directors to continue on the Board following the expiration of their respective terms, taking into account their contributions as Board members and the benefit that results from increasing insight and experience developed over a period of time.

Shareholders may submit the names and other information regarding individuals they wish to be considered for nomination as directors by writing to the Chairman of the Governance Committee at the address of the Company's principal executive offices indicated on the first page of this proxy statement. In order to be considered for nomination by the Board of Directors, submissions of potential nominees should be made no later than November 15 in the year prior to the meeting at which the election is to occur.

**Shareholder Communications with Directors.** The Company's Corporate Governance Guidelines provide that the members of the Board of Directors who are not officers of the Company will hold regular executive sessions without management participation. Currently, the Chairman of the Board (Mr. Carroll) presides at these sessions. If at any time the non-management directors include one or more directors who do not meet the listing standards of the New York Stock Exchange for general independence, an executive session is required to be held at least once each year including only the non-management directors who are also independent. Interested parties who wish to make concerns known to the non-management directors may communicate directly with the non-management directors by making a submission in writing to Board of Directors (independent members) in care of the Company's Corporate Secretary at the address indicated on the first page of this proxy statement. In addition to the procedure for communications with the non-management directors, the entire Board of Directors will receive communications in writing from shareholders. Any such communications should be addressed to the Board of Directors in care of the Corporate Secretary at the same address.

**Attendance at Meetings of Shareholders.** Directors are expected to attend annual meetings of shareholders. All directors attended the 2004 annual meeting.

**Code of Ethics and Ethics and Compliance Code.** The Company has a Code of Ethics for its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer and Controller. Information regarding any amendments to, or waivers of, the provisions of this code applicable to the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Treasurer and Controller will be posted at the website location referred to below under Website Availability of Governance Documents.

The Company also has an Ethics and Compliance Code applicable to directors, officers and employees. This code addresses, among other things, the requirements for a code of business conduct and ethics required under New York Stock Exchange listing standards. Any waivers of this code for executive officers or directors may be made only by the Board of Directors or a committee of the Board and must be promptly disclosed to shareholders.

**Website Availability of Governance Documents.** CenterPoint Energy's Corporate Governance Guidelines, the charters of the Audit Committee, Finance Committee, Compensation Committee and Governance Committee, the Code of Ethics and the Ethics and Compliance Code can be found on CenterPoint Energy's website at [www.centerpointenergy.com](http://www.centerpointenergy.com) in the Investors Corporate Governance area. The Audit Committee Charter also appears as Appendix I.

**Compensation of Directors**

CenterPoint Energy employees receive no extra pay for serving as directors. Through May 2004, each non-employee director received an annual retainer of \$30,000, a fee of \$1,200 for each Board and committee meeting

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attended and a supplemental annual retainer of \$4,000 for serving as a committee chairman. Effective as of June 3, 2004, the annual retainer fee was increased to \$50,000, the fee for each Board and committee meeting attended was increased to \$1,500 and the supplemental annual retainer for service as a committee chairman was increased to \$7,500 for the Audit Committee and \$5,000 for other Board committees. Acting on the recommendation of the Governance Committee, the Board of Directors approved an increase effective as of June 2, 2005 in the supplemental annual retainer for the Chairman of the Audit Committee from \$7,500 to \$10,000 and the fee for each Audit Committee meeting attended from \$1,500 to \$2,000.

Each non-employee director also receives an annual grant of up to 5,000 shares of CenterPoint Energy common stock which vest in one-third increments on the first, second and third anniversaries of the grant date. Full vesting of such shares is provided in the event of the director's death or upon a change of control (defined in substantially the same manner as in the executive severance agreements described under Retirement Plans, Related Benefits and Other Arrangements on page 14). If a director's service on the Board is terminated for any reason other than due to death or change of control, all rights to the unvested portion of the director's grant is forfeited as of the termination date. Upon the initial nomination to the Board, in addition to the annual grant, a non-employee director may be granted a one-time grant of up to but not exceeding 5,000 shares of CenterPoint Energy common stock which are subject to the same vesting schedule outlined above. During 2004, each director received an award of 3,000 shares of common stock under the Amended and Restated Stock Plan for Outside Directors.

Through September 2004, the Chairman received the compensation payable to other non-employee directors plus a supplemental monthly retainer of \$25,000. In addition, in connection with his assuming the position of Chairman, Mr. Carroll was granted 10,000 shares of CenterPoint Energy common stock in November 2002 and 10,000 shares of common stock in October 2003. Beginning October 2004, the supplemental monthly retainer paid to the Chairman was increased to \$30,000. In addition, in connection with his agreement to continue to serve in the position of Chairman through May 2007, Mr. Carroll was granted 20,000 shares of CenterPoint Energy common stock in November 2004 and will receive another 20,000 shares of common stock in each of October 2005 and 2006.

Since 1985, CenterPoint Energy and its predecessors have had in effect deferred compensation plans that permit directors to elect each year to defer all or part of their annual retainer and meeting fees other than Mr. Carroll's supplemental monthly retainer for service as Chairman. Directors participating in these plans may elect to receive distributions of their deferred compensation and interest in three ways: (i) an early distribution of either 50% or 100% of their account balance in any year that is at least four years from the year of deferral up to the year in which they reach age 70, (ii) a lump sum distribution payable in the year after they reach age 70 or upon leaving the Board of Directors, whichever is later, or (iii) 15 annual installments beginning on the first of the month coincident with or next following age 70 or upon leaving the Board of Directors, whichever is later. Interest accrues on deferrals made in 1989 and subsequent years at a rate equal to the average annual yield of the Moody's Long-Term Corporate Bond Index plus 2%. Fixed rates of 19% to 24% were established for deferrals made in 1985 through 1988, as a result of then-higher prevailing rates and other factors.

Non-employee directors elected to the Board before 2004 participate in a director benefits plan under which a director who serves at least one full year will receive an annual cash amount equal to the annual retainer (excluding any supplemental retainer) in effect when the director terminates service. Benefits under this plan begin the January following the later of the director's termination of service or attainment of age 65, for a period equal to the number of full years of service of the director (which, in the case of Mr. Crosswell, includes his service on the board of directors of NorAm Energy Corp.). The increase in the annual retainer fee from \$30,000 to \$50,000 in 2004 had the effect of increasing the directors' benefits under the provisions of this plan based on their current length of service on the Board by the following amounts: Mr. Carroll, \$240,000; Mr. Cater, \$420,000; Mr. Cody, \$20,000; Mr. Crosswell, \$360,000; Mr. Madison, \$20,000; and Mr. Shannon, \$20,000. Directors elected to the Board after 2003 may not participate in this plan.

Non-employee directors who were elected to the Board before 2001 participate in CenterPoint Energy's executive life insurance plan described under Retirement Plans, Related Benefits and Other Arrangements on page 14. This plan provides endorsement split-dollar life insurance with a death benefit equal to six times the



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director's annual retainer, excluding any supplemental retainer, with coverage continuing after the director's termination of service at age 65 or later. The increase in the annual retainer fee from \$30,000 to \$50,000 in 2004 had no immediate effect on the death benefit under the provisions of this plan because increases in the death benefit under the plan are limited to \$5,000 every five years. The death benefit for the current eligible directors remains at \$180,000. The annual premiums due on the policies are payable solely by CenterPoint Energy, and in accordance with the Internal Revenue Code, the directors must recognize imputed income which is currently based upon the insurer's one-year term rates. The plan also provides for CenterPoint Energy to gross-up the director's compensation to cover the director's after-tax cost of this imputed income. Upon the death of the insured, the director's beneficiaries will receive the specified death benefit, and CenterPoint Energy will receive any balance of the insurance proceeds payable in excess of such death benefit. The executive life insurance plan is designed so that the proceeds CenterPoint Energy ultimately receives are sufficient to cover the cumulative premiums paid and the after-tax cost to CenterPoint Energy of the gross-up payments. Directors elected to the Board after 2000 may not participate in this plan.

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The following table shows stock ownership of known beneficial owners of more than 5% of CenterPoint Energy's common stock, each director or nominee for director, the Chief Executive Officer, the other most highly compensated executive officers, and the executive officers and directors as a group. Except as otherwise indicated, information for the executive officers, directors and nominees is given as of March 1, 2005. The directors and officers, individually and as a group, beneficially own less than 1% of CenterPoint Energy's outstanding common stock. Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act, and except as otherwise indicated the respective holders have sole voting and investment powers over such shares.

<u>Name</u>	<u>Number of Shares of CenterPoint Energy Common Stock</u>
Northern Trust Corporation	31,056,595 <sup>(1)</sup>
50 South LaSalle Street	
Chicago, Illinois 60675	
Barrow, Hanley, Mewhinney & Strauss, Inc.	29,489,548 <sup>(2)</sup>
One McKinney Plaza	
3232 McKinney Avenue, 15th Floor	
Dallas, Texas 75204	
Vanguard Windsor Funds Vanguard Windsor II Fund	22,781,700 <sup>(3)</sup>
100 Vanguard Blvd.	
Malvern, Pennsylvania 19355	
Barclays Global Investors, NA.	16,178,557 <sup>(4)</sup>
45 Fremont Street	
San Francisco, California 94105	
Putnam, LLC d/b/a Putnam Investments	152,155 <sup>(5)</sup>
One Post Office Square	
Boston, Massachusetts 02109	
Donald R. Campbell	10,000 <sup>(6)</sup>
Milton Carroll	46,000
John T. Cater	11,000
Derrill Cody	11,000
O. Holcombe Crosswell	12,595
Byron R. Kelley	21,239 <sup>(7)(8)</sup>
Janiece M. Longoria	4,000 <sup>(6)</sup>
Thomas F. Madison	3,500

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David M. McClanahan	823,725 <sup>(7)(8)</sup>
Robert T. O'Connell	2,000
Scott E. Rozzell	325,591 <sup>(7)(8)</sup>
Stephen C. Schaeffer	430,840 <sup>(7)(8)</sup>
Michael E. Shannon	3,000
Thomas R. Standish	206,296 <sup>(7)(8)(9)</sup>
Peter S. Wareing	10,000 <sup>(6)</sup>
Gary L. Whitlock	181,203 <sup>(7)(8)</sup>
All of the above officers and directors and other executive officers as a group (17 persons)	2,263,527 <sup>(7)(8)</sup>

(1) This information is as of December 31, 2004 and is based on a Schedule 13G/A filed with the Securities and Exchange Commission on March 23, 2005 by Northern Trust Corporation and certain of its subsidiaries. This represents 10.09% of the outstanding common stock

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of CenterPoint Energy. The Schedule 13G/A reports sole voting power for 1,845,225 shares of common stock, shared voting power for 29,149,851 shares of common stock, sole dispositive power for 3,251,195 shares of common stock and shared dispositive power for 12,399 shares of common stock. CenterPoint Energy understands that the shares reported include 27,565,537 shares of common stock held as trustee of CenterPoint Energy's savings plan which provides for pass-through voting by plan participants.

- (2) This information is as of December 31, 2004 and is based on a Schedule 13G filed with the Securities and Exchange Commission on February 8, 2005 by Barrow, Hanley, Mewhinney & Strauss, Inc. This represents 9.58% of the outstanding common stock of CenterPoint Energy. The 13G reports sole voting power for 2,495,848 shares of common stock, shared voting power for 26,993,700 shares of common stock and sole dispositive power for 29,489,548 shares of common stock.
- (3) This information is as of December 31, 2004 and is based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 10, 2005 by Vanguard Windsor Funds Vanguard Windsor II Fund. This represents 7.40% of the outstanding common stock of CenterPoint Energy. The 13G/A reports sole voting power and shared dispositive power for 22,781,700 shares of common stock.
- (4) This information is as of December 31, 2004 and is based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2005 by Barclays Global Investors, NA, on behalf of itself, Barclays Global Fund Advisors, Barclays Global Investors, Ltd, Barclays Global Investors Japan Trust and Banking Company Limited, Barclays Life Assurance Company Limited, Barclays Bank PLC, Barclays Capital Securities Limited, Barclays Capital Inc, Barclays Private Bank & Trust (Isle of Man) Limited, Barclays Private Bank and Trust (Jersey) Limited, Barclays Bank Trust Company Limited, Barclays Bank (Suisse) SA, Barclays Private Bank Limited, Bronco (Barclays Cayman) Limited, Palomino Limited and HYMF Limited. This represents 5.21% of the outstanding common stock of CenterPoint Energy. The 13G/A reports that the reporting entities, taken as a whole, had sole voting power for 14,695,817 shares of common stock and sole dispositive power for 16,178,557 shares of common stock.
- (5) This information is as of December 31, 2004 and is based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 11, 2005 by Putnam, LLC, d/b/a Putnam Investments, on behalf of itself, Marsh & McLennan Companies, Inc., Putnam Investment Management, LLC and The Putnam Advisory Company, LLC. This represents less than 5% of the outstanding common stock of CenterPoint Energy. The 13G/A reports that Putnam Investment Management, LLC holds shared dispositive power for 152,155 shares of common stock and that each of The Putnam Advisory Company, LLC and Putnam, LLC holds shared voting power for 77,203 shares of common stock and shared dispositive power for 152,155 shares of common stock.
- (6) Acquired subsequent to March 1, 2005.
- (7) Includes shares covered by CenterPoint Energy stock options that are exercisable within 60 days as follows: Mr. McClanahan, 657,406 shares; Mr. Rozzell, 261,201 shares; Mr. Whitlock, 141,918 shares; Mr. Kelley, 18,982 shares; Mr. Standish, 151,394 shares; Mr. Schaeffer, 296,406 shares; and the group, 1,638,723 shares.
- (8) Includes shares of CenterPoint Energy common stock held under CenterPoint Energy's savings plan, for which the participant has sole voting power (subject to such power being exercised by the plan's trustee in the same proportion as directed shares in the savings plan are voted in the event the participant does not exercise voting power).
- (9) Includes shares held by spouse.

**Table of Contents****Executive Compensation Tables**

These tables show compensation information for the Chief Executive Officer, the four other most highly compensated executive officers who continued to serve as executive officers as of December 31, 2004 and one executive officer who retired during 2004.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long Term Compensation				All Other Compensation <sup>(5)</sup>
		Salary <sup>(1)</sup>	Bonus <sup>(1)</sup>	Other Annual Compensation	Awards		Payouts		
					Restricted Stock Awards <sup>(2)</sup>	Securities Underlying Options <sup>(3)</sup>	LTIP Payouts <sup>(4)</sup>		
David M. McClanahan President and Chief Executive Officer	2004	\$ 781,250	\$ 738,281	\$ 1,629	\$ 356,644	106,100	\$ 638,342	\$ 98,549	
	2003	687,500	773,437	1,985	348,840	103,900	962,013	129,306	
	2002	575,000	646,875	1,074		191,700	50,358	111,399	
Scott E. Rozzell <sup>(6)</sup>	2004	387,500	263,984	717	124,716	37,100	259,605	85,670	
Executive Vice President, General Counsel and Corporate Secretary	2003	376,000	282,000	1,653	147,060	43,900	406,110	111,020	
	2002	360,500	270,375	680		77,800		92,669	
Gary L. Whitlock <sup>(7)</sup>	2004	382,750	267,160	717	118,152	35,200	240,048	32,651	
Executive Vice President and Chief Financial Officer	2003	355,000	290,000	620	136,230	40,600		53,550	
	2002	334,000	250,500	48,607		72,200		37,946	
Byron R. Kelley <sup>(8)</sup>	2004	290,000							